



NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR

STATE OF HAWAII  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

335 MERCHANT STREET, ROOM 310

P.O. Box 541

HONOLULU, HAWAII 96809

Phone Number: 586-2850

Fax Number: 586-2856

[www.hawaii.gov/dcca](http://www.hawaii.gov/dcca)

KEALI'I S. LOPEZ  
DIRECTOR

EVERETT KANESHIGE  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION & COMMERCE

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2011

Monday, March 21, 2011  
2 p.m.

**TESTIMONY ON SENATE BILL NO. 1453, S.D. 2, H.D. 1 – RELATING TO  
PRESCRIPTION MEDICATIONS.**

TO THE HONORABLE ROBERT N. HERKES, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department takes no position on this bill, which creates a prescription medication prior authorization working group to consider the issue of insurers' prior authorization requirements for prescription medications and make recommendations for legislative action.

We thank this Committee for the opportunity to present testimony on this matter.



94-450 Mokuola Street, Suite 106, Waipahu, HI 96767  
808.675.7300 | www.ohanahealthplan.com

Monday, March 21, 2011

To: The Honorable Robert N. Herkes  
Chair, House Committee on Consumer Protection and Commerce

From: 'Ohana Health Plan

Re: Senate Bill 1453, Senate Draft 2, House Draft 1-Relating to Prescription Medication

Hearing: Monday, March 21, 2011, 2:00 p.m.  
Hawai'i State Capitol, Room 325

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Since February 2009, 'Ohana Health Plan has provided services under the Hawai'i QUEST Expanded Access (QExA) program. 'Ohana is managed by a local team of experienced health care professionals who embrace cultural diversity, advocate preventative care and facilitate communications between members and providers. Our philosophy is to place members and their families at the center of the health care continuum.

'Ohana Health Plan is offered by WellCare Health Insurance of Arizona, Inc. WellCare provides managed care services exclusively for government-sponsored health care programs serving approximately 2.3 million Medicaid and Medicare members nationwide. 'Ohana has been able to take the national experience and develop an 'Ohana care model that addresses local members' healthcare and health coordination needs.

We appreciate this opportunity to testify in support of Senate Bill 1453, Senate Draft 2, House Draft 1-Relating to Prescription Medications.

The purpose of this bill is to convene a working group of diverse stakeholders to consider the issue of prior authorization for prescription medication and make recommendations for legislative action based on consensus of the participants to discuss a variety of issues relating to the prior authorization process, which can be administratively cumbersome and often creates unnecessary obstacles for patients looking to fill their prescriptions.

We as one of the providers of accident and health or sickness insurance in this State, (as a health maintenance organization) are designated to be a part of this working group and we are looking forward to the dialogue on how we can best achieve a more streamlined process in the interest of our patients.

Thank you for the opportunity to provide these comments in support of this measure.



HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
Rep. Robert Herkes, Chair

Conference Room 325  
March 21, 2011 at 2:00 p.m.

**Supporting SB 1453 SD 2 HD 1.**

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Our members employ more than 40,000 people statewide, delivering quality care to the people of Hawaii. Thank you for this opportunity to testify in support of SB 1453 SD 2 HD 1, which creates a working group convened by the Healthcare Association to consider the issue of prior authorization requirements for prescription medications.

Prior authorization requirements imposed by health care insurers are designed to control costs and risks posed by prescription drugs. Although prior authorization has beneficial purposes, it may result in delays for patients in receiving prescription drugs.

The Healthcare Association has a tradition of bringing key stakeholders together from across the continuum of care to discuss issues that face our industry. We would be honored to be designated as the convener of a working group to address prior authorization issues and produce a report that will inform the decision-making process.

For the foregoing reasons, the Healthcare Association supports SB 1453 SD 2 HD 1.



**AlohaCare**

For a healthy Hawaii.

March 21, 2011  
2:00pm  
Conference Room 325

To: The Honorable Rep. Robert N. Herkes, Chair  
The Honorable Rep. Ryan I. Yamane, Vice Chair  
House Committee on Consumer Protection and Commerce

From: Paula Arcena, Director of Public Policy  
Robert Toyofuku, Government Affairs

Re: SB1453, SD2, HD1 Relating to Prescription Medications

Thank you for the opportunity to testify.

AlohaCare **supports** SB14534, SD2, HD1 which requires a working group to discuss potential improvements to the current prior authorization process for prescription medications.

The current version of this measure provides an opportunity for dialogue among stakeholders to identify ways to resolve issues regarding prior authorizations.

We would like to inform the Committee that AlohaCare's formulary of prescription drugs emphasize generic drugs to addressing escalating costs. Prior authorizations are required largely for non-formulary brand name drugs, which are more costly. We require prior authorizations to ensure they are medically necessary and to verify member eligibility and benefits.

Our prior authorization process for non-formulary prescription drugs is designed to provide quick a turn-around. For prior authorization requests received after-hours or in emergency situations, AlohaCare members receive a three-day emergency supply of non-formulary medications or a ten-day supply for antibiotics and providers are asked to follow up with a prior authorization request to continue the non-formulary prescription. Expedited requests are processed within 72-hours.

AlohaCare is a non-profit, Hawaii based health plan founded in 1994 by Hawaii's community health centers to serve low-income families and medically vulnerable members of our community through government sponsored health insurance programs. We serve beneficiaries of Medicaid and Medicare on all islands.

AlohaCare has been contracted by the Hawaii Department of Human Services since the QUEST program started in 1994 to provide insurance coverage for Medicaid eligible beneficiaries through the QUEST program. We serve approximately 75,000 QUEST enrollees statewide.

Thank you for this opportunity to testify.

# HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

March 21, 2011

The Honorable Robert Herkes, Chair  
The Honorable Ryan Yamane, Vice Chair

House Committee on Consumer Protection and Commerce

**Re: SB 1453 SD2 HD1 – Relating to Prescription Medications**

Dear Chair Herkes, Vice Chair Yamane and Members of the Committee:

*support*

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 1453 SD2 HD1 which would create a working group to consider issues relating to prior authorization for prescription medications and to make recommendations for future legislation.

We appreciate the changes made to this measure to convene a working group to discuss issues around prior authorization for prescription medications. We believe that the passage of this measure will serve as a catalyst for the health care community to begin discussing standardization.

Thank you for the opportunity to testify today. We look forward to participating with the other stakeholders on the workgroup.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal stroke extending to the right.

Jennifer Diesman  
Vice President  
Government Relations



## HAWAII MEDICAL ASSOCIATION

1360 S. Beretania Street, Suite 200, Honolulu, Hawaii 96814  
Phone (808) 536-7702 Fax (808) 528-2376 www.hmaonline.net

**Monday, March 21, 2011, 2:00 pm, Conference Room 325**

To: COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
Rep. Robert N. Herkes, Chair  
Rep. Ryan I. Yamane, Vice Chair

From: Hawaii Medical Association  
Dr. Morris Mitsunaga, MD, President  
Linda Rasmussen, MD, Legislative Co-Chair  
Dr. Joseph Zobian, MD, Legislative Co-Chair  
Dr. Christopher Flanders, DO, Executive Director  
Lauren Zirbel, Community and Government Relations

Re: SB 1453 SD 2 HD 1 RELATING TO PRESCRIPTION MEDICATIONS

### In Support with Recommended Amendments

Chairs & Committee Members:

Hawaii Medical Association supports SB 1453 SD2 which authorizes a working group composed of stakeholders and convened by the Healthcare Association of Hawaii to consider issues relating to prior authorization for prescription medication and to make recommendations for future legislation.

HMA recognizes that standardizing Prior Authorizations reduces some administrative burden for physicians. **Having different prior authorization forms is completely unnecessary and confusing for providers and patients alike.**

Any Nurse Practitioner or a Physician who deals directly with patients knows that the biggest roadblock to providing patients with timely and effective prescription drug treatment is the wide variety of formularies offered by Managed Care Organizations, some of which are extremely restrictive. It is painful for providers watch their patients suffer and be denied necessary treatment while they are forced to go through 3 different prior authorizations before they can give their patient the drug they knew would be effective in the first place. The goal of any legislation aiming to reduce administrative burden and improve patient care should be to **reduce the number (not the style) of prior authorization** that need to be completed before a patient can receive effective treatment.

Especially in the case of Medicaid, which is now reimbursing at around 60% of Medicare, the bottom line is that providers lose money whenever they see a Medicaid patients. The least that can be done is to reduce the extra administrative costs associated with treating these patients so that instead of losing money and a lot of extra administrative time for working, providers simply lose money when they see Medicaid patients.

#### OFFICERS

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– STEPHEN KEMBLE, MD EXECUTIVE DIRECTOR – CHRISTOPHER FLANDERS, DO

**A proven way to accomplish a decrease in the number of prior authorizations and an increase in patient satisfaction is to establish a statewide Medicaid formulary. In Ohio, their statewide Medicaid formulary reduced prior authorizations by 70%. In doing so the state saved \$243.6 million throughout FY 2011. Delaware, Illinois, Iowa, Massachusetts, Nebraska, New York, North Carolina, Utah, West Virginia, Ohio and Montana report carving out all drugs from Medicaid managed care contracts.**

Comparison charts show that Ohio's Medicaid formulary rates compare favorably with managed care plans in access to drugs for several specific health care conditions. These charts rated the ease of access to medications based on the number of restrictions that an insurer places on a patient's ability to obtain a drug prescribed by a physician or advanced practice nurse prescriber.

Total drug prices paid by MCOs are generally higher than those paid by state Medicaid programs, largely due to differences in the last component of drug prices (rebate). **Recent changes to CMS interpretation of PPACA ensure that states will not be disadvantaged drug purchasers.**

**The HMA would greatly and humbly appreciate the opportunity for health care provider representation to be equal to the representation of health plans. The HMA would greatly appreciate the following changes:**

The working group shall include:

- (1) The director of human services, or the director's designee;
- (2) A representative of the Hawaii Health Information Exchange;
- (3) Three representatives of pharmacists practicing within the State;
- (4) A representative from each of the providers of accident and health or sickness insurance in this State, including health maintenance organizations;
- (5) Three representatives of physicians practicing within the State;
- (6) A representative of the consumer or patient advocacy community; and
- (7) Any other members that the working group or its convener find necessary for the efficient operation of the working group.

**This working group allows for every single insurance and HMO to have a seat at this table while only allowing one representative from physicians and one representative from pharmacists. Originally, this bill would have seriously alleviated some of the most burdensome managed care hassles experienced by physicians who still treat Medicaid patients despite the fact that reimbursements for Medicaid have been reduced to well below the cost of providing services. This bill has now been turned into a task force, which disproportionately represents health plans.**